Report from the second workshop of SIANI expert group on Chinese land investments

The second SIANI expert group meeting on China's global land-investments was held at the Stockholm Environment Institute (SEI) in Stockholm on 27 January 2012. This report provides a brief summary of the content of discussion, and is intended to re-fresh the memories of those that participated and give those not present an idea of the topics discussed.

Participants

1.	Sigrid Ekman	
2.	Lennart Båge	
3.	Mike Jones	Stockholm Resilience Centre
4.	Jakob Lundberg	FAO
5.	Peter Roberntz	WWF
6.	Anna Liljelund	Sida
7.	Christer Ljungwall	Copenhagen Business School
8.	Madeleine Fogde	SIANI
9.	Karl Hallding	SEI
10.	Kerstin Geppert	SEI
11.	Marie Olsson	SEI

Absent group members:

1.	Johanna Jansson	Roskilde University
2.	Stefan de Vylder	
3.	Karin Isaksson	Sida
4.	Maria Stridsman	Sida
5.	Marja Wolpher	Afrikagrupperna
6.	Kristina Sandklef	East Capital
7.	Atakilte Beyene	SEI
8.	Penny Davies	Diakonia
9.	Fredrik Ingemarson	KSLA

Myths and realities on Chinese land investment in Mozambique

The main activity of the workshop was a presentation by Sigrid Ekman who presented the results of her research on the extent of and drivers behind Chinese land investments in Mozambique. The research was conducted in the wake of the international food crises in 2008, since when it has been widely argued in international media that China – with 20% of the world's population and only 7% of the world's arable land – is on a massive hunt to secure foreign farmland to feed its population. Concerns have also been raised about the neo-colonialist nature of these land leases and agricultural investments.

But how pressing are food security matters in China? What is the nature and underlying drivers of Chinese involvement in the Mozambican agricultural sector? And to what extent is China really involved in the Mozambican agricultural sector?

Chinese land investments not so prevalent

Ekman's research finds that the prevalence of Chinese companies investing in land and agriculture in Mozambique is not as large as asserted by international media. Rather, it seems that much of the claimed presence is based on rumours, as demonstrated by the cases of the Zambezi valley and the Mpaanda Duwuka Dam. The only evidence found of actual Chinese presence in the land sector was an agricultural technological centre, set up on request from the Mozambique government to harness South-South knowledge exchange on agriculture. The centre, which has a limited plot of land at its disposal, produces primarily hybrid rice to be used and sold on the domestic market. Rice is a main staple in Mozambique and there is no evidence of rice being produced for shipment to China.

Food security not the main driver

Ekman's study furthermore shows that food security is not the main driver behind Chinese land investments in Mozambique. This answer is partly reached by looking at import and export figures, and partly because the rationale of obtaining farm land abroad as opposed to purchasing grain on the international market makes little sense from a food security perspective. The government's official stance is that to the extent there is a need to obtain food from abroad, this will be done through imports from the international market. From this perspective, land leases are not a long-term reliable strategy as it vastly increases dependence on limited plots of land.

The 'real' drivers behind China's land and agricultural investment rather seem to be within the line of its 'go global strategy' where companies in the agricultural sector (3-4% of total FDI) have been lagging behind for many years and are now gradually catching up. South-South cooperation on hybrid rice – as seen at the agricultural technology centre – is therefore a possible niche market for Chinese companies, not a strategy to mitigate a possible food crisis at home. This suggests that Chinese land and agricultural investments are market driven rather than resource driven.

What to know more?

Sigrid Ekman can be contacted on: sigrid.ekman@gmail.com.

Other issues discussed

Broader incentives behind Chinese foreign investments must be considered

While economic incentives are an important set of drivers, the broader political agenda must not be overshadowed. All Chinese outward investments are a political phenomenon, where bilateral relations (similar to the Chinese practice of *guanxi*) are one way of creating an international system that can facilitate China's peaceful rise.

Recipient response to land investment and leases

The general impression amongst the group is still that there is very little capacity on the African side to negotiate with their Chinese (and other) counterparts when it comes to land leases and purchases. While Sweden and other donors provide capacity support, and supportive regulation is increasingly put into place, there is still a lack of follow-up and implementation mechanisms, something that takes several years to develop.

At the same time, there is an increasing realisation among the political elite in many countries experiencing extensive land grabs that a firm stance must be taken against foreign investors. This has been the case in for instance Mozambique in the past few years. Also, there is increasing pressure from below on governments to respond with more might to foreign concession holders. Such local responses reflect poorly on the international investor, which in the case of China, would be long-term negative to its ambition of building a stronger international image.

How does China fit into the bigger picture of what is happening in Africa?

Only 4.5% of China's total trade is with African countries. Furthermore, 90% of foreign owned stock in Africa is trace to European and US actors, meaning that Sino-African economic relations are still rather minor when seen from the wider perspective. If one wants to understand the broader trends of land and agricultural investments in Africa, looking at China as an isolated experiment gives only a small piece of the puzzle. There is hence a need to contextualise and compare China's investments to other emerging economies, for instance the Gulf States which unlike China are net food importers, as well as more traditional investors such as US and Europe.

Transparency of investments & extensive misreporting

Lack of transparency remains an issue when attempting to map investments. Importantly, this blurriness is not unique to China but holds true for investors from many countries. For the purpose of this expert group, questions on how a Chinese investment is defined and how this can be measured remain relevant. Questions about which button should be pushed to increase transparency on Chinese investments where also raised.

Notably, there is extensive misreporting on the scale and size of Chinese investments, where reporting errors can sometimes be tracked back to translation errors. Careful attention must thus be paid to numbers, and triangulation – especially when it comes to investments amount and size of plot – is encouraged.

Next steps

The next workshop will likely focus on bio-energy and will take place in late spring 2012.

During the workshop, the organisers received plenty of feedback on the prepared draft policy brief on the theme of ‘who is the China in African agriculture?’ A final version will be available for download on www.siani.se by early March.
If you have any questions about this meeting or the expert group, please contact Marie Olsson, marie.olsson@sei-international.org.